SD FINANCE plc

A Company registered in Malta having registration Number C 79193
Registered Address: Seabank Hotel, Marfa Road, Mellieha MLH 9064

COMPANY ANNOUNCEMENT

Publication of Financial Analysis Summary

The following is a Company Announcement issued by SD Finance p.l.c. pursuant to the Listing Rules of the Listing Authority.

Quote

SD Finance p.l.c announces that the Financial Analysis Summary, dated 22nd September 2021, prepared by MZ Investments Services Limited is available for viewing hereunder.

Unquote

Shaheryar Ghaznavi
Company Secretary

22nd September 2021
Ref: SDA50

Financial Analysis Summary

22 September 2021

Issuer

SD Finance p.l.c.

Guarantor

SD Holdings Limited

MZ INVESTMENT SERVICES

MZ INVESTMENT SERVICES

The Directors
SD Finance p.l.c.
Seabank Hotel
Marfa Road, Ghadira
Mellieha MLH 9064
Malta

22 September 2021

Dear Sirs

Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the Financial Analysis Summary (the "**Analysis**") set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to SD Finance p.l.c. (the "**Issuer**") and SD Holdings Limited (the "**Guarantor**" or "**db Group**"). The data is derived from various sources or is based on our own computations as follows:

(a) Historical financial data relating to the Issuer has been extracted from the audited financial statements of the Issuer for the three years ended 31 March 2019 to 31 March 2021.

(b) Historical financial data relating to the Guarantor has been extracted from the audited consolidated financial statements of the Guarantor for the three years ended 31 March 2019 to 31 March 2021.

(c) The forecast data for the year ending 31 March 2022 has been provided by management.

(d) Our commentary on the results of db Group and on its financial position is based on the explanations provided by management.

(e) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 5 of the Analysis.

MZ INVESTMENT SERVICES

(f) Relevant financial data in respect of the companies included in Part 4 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

The Analysis is meant to assist investors in the Issuer's securities and potential investors by summarising the more important financial data of db Group. The Analysis does not contain all data that is relevant to investors or potential investors. The Analysis does not constitute an endorsement by our firm of any securities of the Issuer and should not be interpreted as a recommendation to invest in any of the Issuer's securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis. As with all investments, potential investors are encouraged to seek independent professional financial advice before investing in the Issuer's securities.

Yours faithfully,

Evan Mohnani
Senior Financial Advisor

MZ Investment Services Ltd
63, St Rita Street,
Rabat RBT 1523,
Malta
Tel: 2145 3739

TABLE OF CONTENTS

PART 1 – INFORMATION ABOUT THE DB GROUP

1. KEY ACTIVITIES OF THE ISSUER

SD Finance p.l.c. (the "**Issuer**" or "**Company**") was incorporated in January 2017 as a public limited liability company under the Companies Act with an authorised and fully paid up issued share capital of €250,000. The principal activity of the Company is to carry on the business of a holding and finance company within db Group.

The Issuer is not engaged in any trading activities but is involved in raising debt and advancing same to members of db Group as and when the demands of this business or the demands of a particular project so require. Accordingly, the Issuer is economically dependent on the operations, performance and prospects of db Group.

2. DIRECTORS OF THE ISSUER

The Issuer is managed by a Board comprising six directors who are entrusted with its overall direction and management. The Board members of the Issuer as at the date of this report are included hereunder:

Board of Directors

Silvio Debono	Chairman
Robert Debono	Director and Group Chief Executive Officer
Arthur Gauci	Non-Executive Director
Stephen Muscat	Independent Non-Executive Director
Vincent Micallef	Independent Non-Executive Director
Philip Micallef	Independent Non-Executive Director

3. KEY ACTIVITIES OF THE GUARANTOR

SD Holdings Limited (the "**Guarantor**" or "**db Group**" or "**Group**") is the parent holding company of db Group and principally operates, through subsidiary companies, in hospitality, leisure and catering activities. The db Group owns and operates db Seabank Resort Spa, Mellieha Bay and db San Antonio Hotel & Spa, St Paul's Bay. It also owns and operates the restaurant amenities at Adeera Complex in Mellieha, Nine Lives in Bugibba, and AKI in Valletta, and operates outlets under the Hard Rock Café and Starbucks franchises.

The Group also holds investments in associates which provide healthcare and catering services to hospitals and retirement homes; and catering services primarily to Air Malta and other airlines operating from Malta. Other associated investments operate in the hospitality and catering industries.

4. DIRECTORS OF THE GUARANTOR AND SENIOR MANAGEMENT

The Guarantor is managed by a Board comprising eight directors who are entrusted with its overall direction and management, including the establishment of strategies for future development. The Board members of the Guarantor as at the date of this report are included hereunder:

Board of Directors

Silvio Debono	Chairman
Robert Debono	Director and Group Chief Executive Officer
Arthur Gauci	Director
Alan Debono	Director
David Debono	Director
Victoria Debono	Director
Jesmond Vella	Director

In the execution of the strategic direction, investment and management oversight of the Group, the Board is assisted by the following members of senior management:

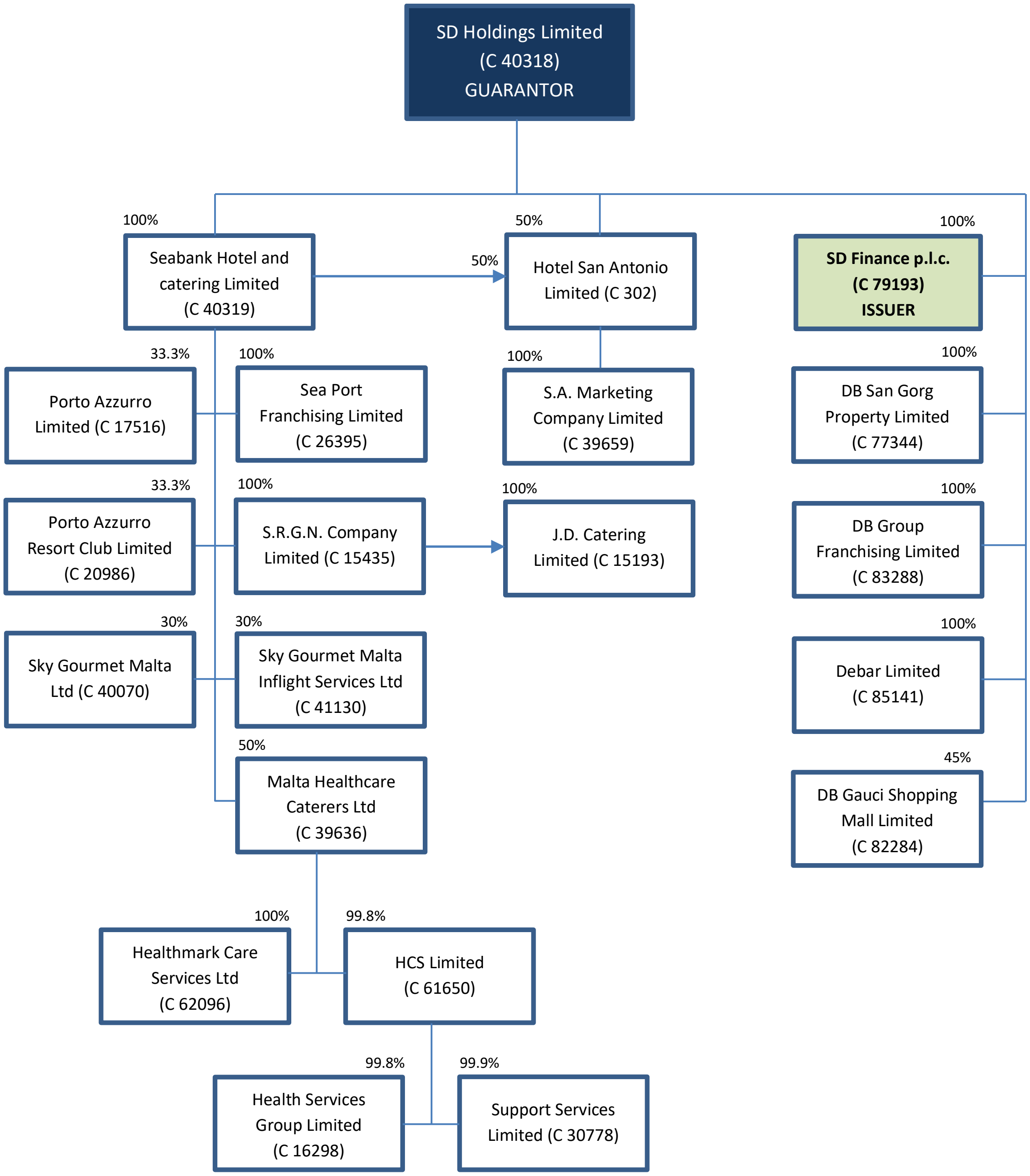
Senior Management of db Group

Silvio Debono	Executive Chairman
Robert Debono	Director and Group Chief Executive Officer
Victoria Debono	Director
David Debono	Director
Alan Debono	Director
Jesmond Vella	Head of Purchasing and Logistics
Massimo Azzopardi	General Manager of db Seabank Resort & Spa
Bradley Dingli	General Manager of db San Antonio Hotel & Spa
Trevor Vella	Chief Financial Officer

The weekly average number of employees engaged by the Group during FY2021 amounted to 647 persons (FY2020: 730).

5. DB GROUP ORGANISATIONAL STRUCTURE

The diagram hereunder illustrates the subsidiaries and associates within the organisational structure of db Group and the position within the said group of the Issuer and Guarantor. The Group's businesses are described in more detail in Part 2 below.



There were no material changes to the above structure since the last published audited consolidated financial statements of the Guarantor.

6. MAJOR ASSETS OWNED BY DB GROUP

The Group's major assets are included in the consolidated statement of financial position under the headings: 'property, plant & equipment' and 'investment property'. The following is a list of major assets owned by db Group.

SD Holdings Limited **db Group Major Assets**	**FY2019**	**FY2020**	**FY2021**
	€'000	**€'000**	**€'000**
db Seabank Resort & Spa	109,482	98,088	95,053
db San Antonio Hotel & Spa	90,545	89,448	86,006
db City Centre	71,554	74,898	78,050
	271,581	**262,434**	**259,109**

Source: Consolidated audited financial statements of SD Holdings Limited

Hospitality Operations

On 31 March 2020, the Directors reassessed the valuation of db Group's principal operating properties, db Seabank Resort & Spa and db San Antonio Hotel & Spa, in view of the COVID-19 pandemic and resulting restrictions on the hospitality industry, as mandated by the Health Authorities, together with the closure of ports, which have significantly impacted the Group's operations. The 2020 valuation reassessment was primarily based on revised projected income streams which take into consideration a lower business activity in the next few years, until reaching the 2019 level of business and assumed normality by 2024. The assumptions resulted in a revised revaluation surplus that is €11,000,000 lower than that recognised in 2019. This difference was accordingly adjusted and debited to the revaluation reserve, net of applicable deferred income taxes (net amount: €7,150,000).

As at 31 March 2021, the Directors performed a similar assessment as described above. As such, the 2021 valuation reassessment was based on updated projected income streams taking into consideration the experience of 2020, together with a gradual increase in the business activity in the next few years, until reaching a normalised level of business by 2025. The assumptions for the 2021 assessment did not result in any material impact on the Group's property fair value and the Directors are of the opinion that the relating carrying amount as at 31 March 2021 is not materially different from the respective fair value.

db City Centre

On 1 February 2017, DB San Gorg Property Limited (a subsidiary company of the Guarantor) entered into a deed of temporary emphyteusis with the Commissioner of Land (on behalf of the Government of Malta) for a site having a total surface area of *circa* 24,000m^2 and located in St George's Bay, St Julians, Malta. The said property is earmarked for the development of the proposed db City Centre, described in further detail below.

The 99-year temporary emphyteutical concession is subject to a cash consideration of €15.0 million, payable over a period of seven years, whereby the first payment of €5.0 million was paid on signing of the said deed. The balance of €10.0 million is payable in seven equal annual instalments as from January 2018. Following Planning Authority approval, a further consideration shall be determined on the full extent of the developable area, which amount shall be due to Government or *vice-versa*, as the case may be, payable over a period of seven years in seven equal annual instalments and calculated in accordance with the terms of a schedule annexed to the Emphyteutical Deed. Stamp duty of *circa* €3.0 million was settled upon signing of deed. The payment of *circa* €8.0 million (comprising the said first payment and stamp duty) was financed primarily through a bank facility.

In terms of the deed, a total annual ground rent of €1,562,509 shall be payable to Government, of which a total of €1,169,579 is to be allocated for redemption purposes based on a net floor space area of 51,030m^2 (comprising residential, office space and garage space). The afore-mentioned annual ground rent shall be temporarily reduced to €1,000 per annum until the earlier of: (a) the issuance of a certificate of completion by an architect; or (b) the lapse of five years from date of deed.

Further to the submission to Planning Authority in FY2021 of downscaled development plans for the proposed db City Centre project, DB San Gorg Property Limited obtained approval from Planning Authority on 10 June 2021, which however is subject to an appeal process.

Subject to securing all necessary development permits, the property is earmarked as a mixed-use development encompassing a five-star hotel, residential tower, shopping mall, large underground car park and other amenities to complement the project.

PART 2 – OPERATIONAL DEVELOPMENT

The Group is principally involved in hotel management, operation of food & beverage outlets and other leisure activities, and related services. A divisional analysis of db Group's business is provided hereinafter.

SD Holdings Limited **db Group Operational Analysis** **for the year ended 31 March**	**2019** **Actual** **€'000**	**2020** **Actual** **€'000**	**2021** **Actual** **€'000**
Revenue	**56,133**	**59,324**	**17,251**
Hospitality and leisure	44,517	44,227	7,649
Food & beverage and merchandise	11,603	15,079	8,241
Other	13	18	1,361
EBITDA	**24,844**	**25,654**	**3,441**
Hospitality and leisure	22,661	21,200	864
Food & beverage and merchandise	2,302	2,972	2,340
Other	(119)	1,482	237

Source: Audited consolidated financial statements of SD Holdings Limited.

The global spread and impact of the COVID-19 pandemic is complex, unpredictable, and continuously evolving and has resulted, since March 2020, in significant disruption and additional risks to the Group's hospitality operations, the travel industries, and the global economy. The COVID-19 pandemic has led governments and other authorities around the world to impose measures intended to control its spread, including restrictions on large gatherings of people, travel bans, border closings and restrictions, business closures, quarantines, shelter-in-place orders, and social distancing measures.

Despite the re-opening of the Malta International Airport on 1 July 2020 and re-commencement of international travel in July 2021, the COVID-19 pandemic and its consequences have significantly reduced global travel and demand for hotel rooms and have had a material detrimental impact on global commercial activity across the hospitality and travel industries, all of which has had, and is expected to continue to have, a material adverse impact on the Group's business, operations, and financial results.

The extent, duration, and magnitude of the COVID-19 pandemic's effects will depend on various factors, all of which are highly uncertain and difficult to predict, including, but not limited to, the impact of the pandemic on global and regional economies, travel, and economic activity, as well as actions taken by governments, businesses, and individuals in response to the pandemic, any additional resurgence, or COVID-19 variants. These factors include the impact of the COVID-19 pandemic on unemployment rates and consumer discretionary spending; governmental or regulatory orders that impact the Group's business and its industry; the demand for travel and transient and group business; levels of consumer confidence; and the pace of recovery when the pandemic subsides. Moreover, even after shelter-in-place orders and travel bans are completely lifted and vaccines are more widely distributed and available, demand for hotels, including corporate travel and group meetings, may remain depressed for a significant length of time, and as such, the Group cannot predict if and when demand will return to pre-COVID-19 levels.

7. HOSPITALITY AND LEISURE

7.1 DB SEABANK RESORT & SPA

Seabank Hotel and Catering Limited, a subsidiary of the Guarantor, owns the 539-room four-star db Seabank Resort & Spa, which occupies a land area of over 23,000m^2 and is located in Mellieha Bay, Malta (the "**Seabank Hotel**"). The Seabank Hotel is an all-inclusive resort with 7 themed restaurants, 4 bars, an external pool, a fitness centre and health spa. In 2015, a new entertainment complex was opened, which includes 3 restaurants, a bowling alley, a sports bar and a children club. The following table sets out the highlights of the hotel's operating performance for the years indicated therein:

db Seabank Resort & Spa		**FY2019 Actual**	**FY2020 Actual**	**FY2021 Actual**
Turnover (€'000)		24,743	24,338	3,918
Gross operating profit/EBITDA (€'000)		10,293	11,428	117
Gross operating profit margin (%)		42	47	3
Occupancy level (%)		80	83	15
Revenue per occupied room (RevPOR) (€)	(a)	158	138	78
Gross operating profit per available room (GOPAR) (€)	(b)	19,132	21,202	217
Benchmark performance [1]				
Occupancy level (%)		83	82	n/a
Revenue per occupied room (RevPOR) (€)	(c)	117	124	n/a
Gross operating profit per available room (GOPAR) (€)	(d)	14,979	14,233	n/a
Revenue Generating Index (RGI)	(a)/(c)	1.35	1.11	n/a
Gross Operating Profit Generating Index (GOPGI)	(b)/(d)	1.28	1.49	n/a

[1]Source: MHRA Survey Q4 2019. The data for FY2019 and FY2020 relate to calendar years 2018 and 2019 respectively. Statistics for FY2021 (or calendar year 2020) are not available.

In the above table, gross operating profit is derived after deducting general and administrative expenses.

The Seabank Hotel performed positively during FY2019 and FY2020 due to: (i) a favourable trend in tourism in Malta; (ii) its advantage as a newly refurbished property over other competing hospitality establishments; and (iii) the success of management in promoting the all-inclusive service package.

The hotel registered an increase of €2.0 million (+8.8%) in revenue in FY2019, to €24.7 million (FY2018: €22.7 million). Thereafter, in FY2020, the hotel reported a marginal decrease of €0.4 million in revenue to €24.3 million. The Hotel's occupancy level during the said two years was maintained above 80%, while RevPOR increased from €137 in FY2018 to €158 in FY2019 but decreased back to €138 in FY2020.

As to gross operating profit, the hotel reported a y-o-y decrease of €1.8 million (-14.7%) in FY2019 to €10.3 million (FY2018: €12.1 million), resulting in a decline of 11% in gross operating profit margin from 53% in FY2018 to 42% in FY2019. Gross operating profit margin improved by 5 percentage points in FY2020 to 47%, which represented an increase in gross operating profit of €1.1 million, from €10.3 million in FY2019 to €11.4 million.

As to competitive set analysis, no hotel within the four-star sector in Malta fully operates on an all-inclusive basis (other than the San Antonio Hotel described hereunder) and therefore, no peer is deemed to be directly comparable to the Seabank Hotel. As such, the Seabank Hotel has been compared to the average four-star sector results published in the Malta Hotels and Restaurants Association (MHRA) Survey.

Seabank Hotel's occupancy level during FY2019 and FY2020 broadly matched its benchmark at *circa* 80%. As for RevPOR (which incorporates room revenue, food & beverage and other income), the Seabank Hotel performed better than the four-star industry average in each of FY2019 and FY2020 (as evidenced by the RGI above 1 in both said years). Furthermore, the Seabank Hotel generated GOPAR in FY2019 and FY2020 well in excess of the four-star average (GOPGI of 1.28 and 1.49 respectively), primarily as a result of the hotel benefiting from economies of scale, allowing for greater flexibility in operations and having a leaner structure.

The financial information for FY2021 reflects the disruption caused by the pandemic on the hotel's services. During the said period, occupancy level was minimal at 15% (FY2020: 83%). As such, revenue amounted to €3.9 million in FY2021, a decrease of €20.4 million from the previous year (FY2020: €24.3 million) while gross operating profit amounted to €117,000 compared to €11.4 million a year earlier.

The recovery anticipated for FY2022 is somewhat delayed, but travel demand is gradually improving with leisure bookings leading the way compared to group activity and corporate bookings. Management is hopeful that the positive trends and momentum in hospitality activities will continue for the remainder of the financial year.

7.2 DB SAN ANTONIO HOTEL & SPA

Hotel San Antonio Limited, a db Group subsidiary company, owns the 513-room 10-floor four-star db San Antonio Hotel & Spa, located in St Paul's Bay, Malta (the "**San Antonio Hotel**"). The San Antonio Hotel is an all-inclusive hotel with 5 themed restaurants, indoor, outdoor and rooftop pools, a fitness centre, a Hammam spa and conference facilities.

The following table sets out the highlights of the hotel's operating performance for the periods indicated therein:

db San Antonio Hotel & Spa		**FY2019 Actual**	**FY2020 Actual**	**FY2021 Actual**
Turnover (€'000)		19,774	19,889	4,904
Gross operating profit/EBITDA (€'000)		12,368	11,834	746
Gross operating profit margin (%)		63	60	15
Occupancy level (%)		80	79	16
Revenue per occupied room (RevPOR) (€)	(a)	146	147	148
Gross operating profit per available room (GOPAR) (€)	(b)	27,183	26,009	1,640
Benchmark performance [1]				
Occupancy level (%)		83	82	n/a
Revenue per occupied room (RevPOR) (€)	(c)	117	124	n/a
Gross operating profit per available room (GOPAR)(€)	(d)	14,979	14,233	n/a
Revenue Generating Index (RGI)	(a)/(c)	1.25	1.19	n/a
Gross Operating Profit Generating Index (GOPGI)	(b)/(d)	1.81	1.83	n/a

[1]Source: MHRA Survey Q4 2019. The data for FY2019 and FY2020 relate to calendar years 2018 and 2019 respectively. Statistics for FY2021 (or calendar year 2020) are not available.

In the above table, gross operating profit is derived after deducting general and administrative expenses.

FY2019 was a positive year for the hotel, where revenue increased from €18.2 million in FY2018 to €19.8 million (+8.6%), mainly on account of a €6 (+4.3%) increase in RevPOR to €146 (FY2018: €140). More importantly, the hotel managed to improve its gross operating profit margin from 42% in FY2018 to 63% in FY2019, which resulted in a €4.7 million (+61%) growth in gross operating profit to €12.4 million (FY2018: €7.7 million).

In FY2020, revenue increased marginally by €0.1 million from the prior year, but gross operating profit decreased by €0.6 million or -4.8%, from €12.4 million in FY2019 to €11.8 million. Occupancy level was lower by 1 percentage point to 79%, while RevPOR increased by €1 to €147.

As to competitive set analysis, no hotel within the four-star sector in Malta fully operates on an all-inclusive basis (other than the Seabank Hotel described above) and therefore, no peer is deemed to be directly comparable to the San Antonio Hotel. As such, the San Antonio Hotel has been compared to the average four-star sector results published in the Malta Hotels and Restaurants Association (MHRA) Survey.

Similar to the Seabank Hotel, the San Antonio Hotel is one of the largest hotels in Malta with 513 rooms and thus is more of a challenge to match and surpass the industry's average occupancy level. During FY2019 and FY2020, the hotel's average occupancy level averaged *circa* 80%, which was marginally lower than the sector average of 82%. As a newly refurbished property, the hotel managed to attain a higher RevPOR than the industry benchmark in each of the historical years, thereby achieving an RGI above 1.

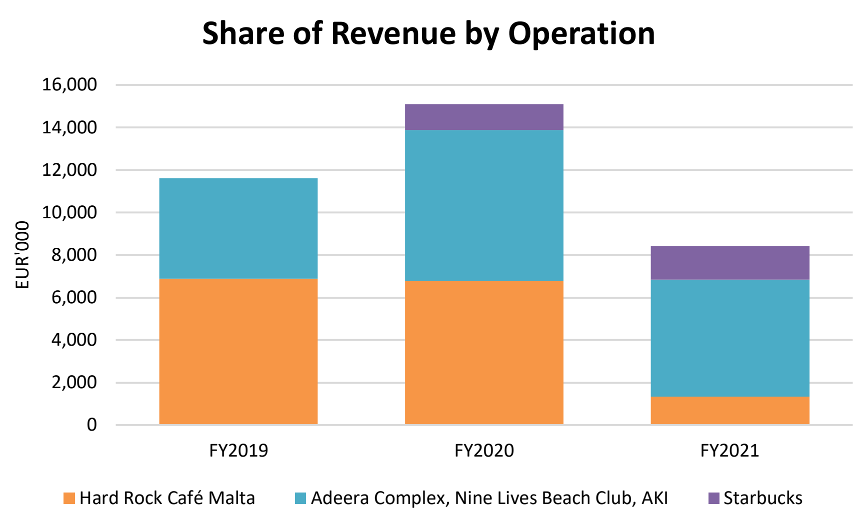
With respect to GOPAR, the San Antonio Hotel exceeded the market average in FY2019 and FY2020, as management took advantage of economies of scale afforded by the property (in view of the higher room inventory than the sector average). This resulted in a GOPGI for the Hotel of 1.81 and 1.83 in FY2019 and FY2020 respectively.

The financial information for FY2021 reflects the disruption caused by the pandemic on the hotel's services. During the said period, revenue generated by the hotel amounted to €4.9 million compared to €19.9 million in the prior year, while gross operating profit decreased from €11.8 million in FY2020 to €0.7 million. Achieved occupancy level in FY2021 was minimal at 16% (FY2020: 79%).

The recovery anticipated for FY2022 is somewhat delayed, but travel demand is gradually improving with leisure bookings leading the way compared to group activity and corporate bookings. Management is hopeful that the positive trends and momentum in hospitality activities will continue for the remainder of the financial year.

8. FOOD & BEVERAGE AND MERCHANDISE

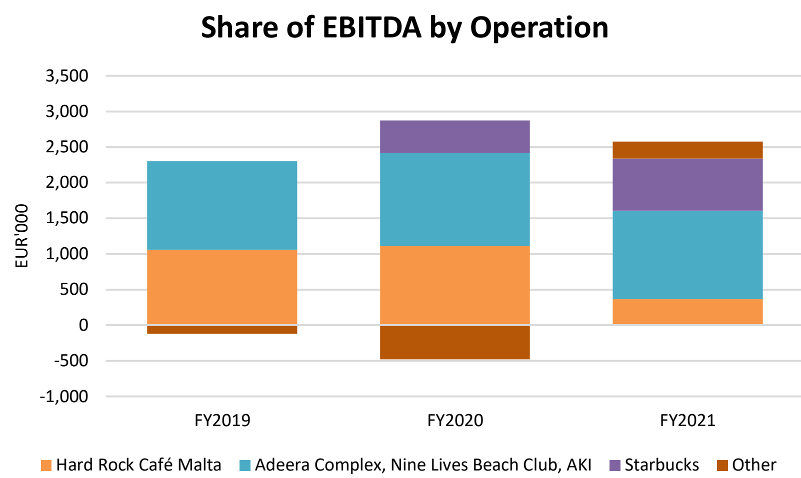
The chart below depicts total revenue generated by each operation within the Group's food & beverage and merchandise segment.



The chart shows the adverse impact on the Group's food & beverage and merchandise segment following the COVID-19 outbreak in March 2020. The sharpest decline was reported by Hard Rock Café Malta where revenue decreased from €6.8 million in FY2020 to €1.3 million in FY2021 (-80%). The closure of the Hard Rock outlet at Baystreet (which to date has not been replaced) together with a lack of cruise liner business and passenger throughput at the airport were the main factors for the decline.

On the other hand, the decrease in revenue generated by the aggregate operation of Adeera Complex, Nine Lives Beach Club and AKI (“**ANA**”) in FY2021 was not as significant and amounted to €1.6 million (-23%), from €7.1 million in FY2020 to €5.5 million in FY2021. As for the current financial year (FY2022), ANA has been performing ahead of management’s budget and is expected to register much better results compared to the prior year.

Starbucks commenced operations in FY2020 and reported revenue amounting to €1.2 million. During FY2021, revenue increased by €0.4 million to €1.6 million. As at the date of this report, the Group operates 5 Starbucks outlets.



In FY2020, EBITDA generated by Hard Rock Café Malta amounted to €1.1 million, an increase of 5% from the prior year. ANA reported an EBITDA of €1.3 million in FY2020 compared to €1.2 million in FY2019.

Due to the significant decline in revenues of Hard Rock Café Malta during FY2021, EBITDA decreased from €1.1 million in FY2020 to €0.4 million. However, despite COVID-19 restrictions, ANA’s EBITDA in FY2021 was broadly unchanged compared to the prior year at €1.2 million (FY2020: €1.3 million).

In FY2021, Starbucks improved its EBITDA margin from 37% in FY2020 (its first year of operation) to 46%.

8.1 HARD ROCK CAFÉ MALTA

Sea Port Franchising Limited, a db Group subsidiary company, was awarded the Hard Rock Café franchise for Malta in 2000, pursuant to the terms of a franchise agreement entered into with Hard Rock International. A new franchise agreement is presently being negotiated and is due to be signed in the coming months.

The Group presently operates 2 Hard Rock Café outlets located at the Airport and Valletta Waterfront. Until November 2020, the Group also operated an outlet at Bay Street Complex, which closed following the expiration of the lease agreement.

8.2 ADEERA COMPLEX, NINE LIVES BEACH CLUB AND AKI

Adeera Complex is operated by S.R.G.N. Company Limited, a subsidiary company of db Group, and is located at Mellieha Bay, Malta (in close proximity to db Seabank Resort & Spa). During FY2018, the complex was renovated at a capital expenditure of €3 million. Adeera Complex houses 3 restaurants, a beach lido and a convenience store to service tourists. The property is leased from a subsidiary company – J.D. Catering Limited (C 15193) – which holds title of temporary emphyteusis granted to it by the Government of Malta and is due to expire on 31 July 2026.

In June 2019, db Group commenced operating Nine Lives beach club in St Paul's Bay, Malta, following an investment of €2.5 million. The club is situated on the water's edge with a majestic view of St Paul's Islands and offers a casual dining experience and entertainment facilities.

With an investment of €1.2 million, db Group opened AKI in February 2020, a new restaurant and lounge bar in Valletta. Guests can taste signature Japanese-inspired dishes prepared with flavours to satisfy modern palates and contemporary styles.

8.3 STARBUCKS

The Group holds the exclusive license to operate and develop the Starbucks brand in Malta and Gozo, and accordingly plans to open 18 Starbucks outlets over a 5-year period. Debar Limited was incorporated in February 2018 to operate and manage Starbucks outlets in Malta.

In FY2020, the company opened the first 3 Starbucks outlets in Malta at Vault 15, Valletta Waterfront, Adeera Complex, Mellieha and Piazzetta Business Plaza, Sliema. During FY2021, Debar Limited opened a fourth outlet at the Islet Promenade, Bugibba. In FY2022, the company opened its fifth outlet at the Strand in Sliema with plans to open 3 additional outlets in Mriehel, Mellieha and Valletta, and will therefore operate a total of 8 Starbucks outlets by year end.

9. HOSPITALITY & LEISURE SECTOR ANALYSIS

9.1 ECONOMIC UPDATE[1]

Malta's economy grew at a solid quarter-on-quarter rate of 1.9% in the first quarter of this year (2021), driven mainly by service exports. After a considerable decline (-7.8%) in 2020, real GDP is forecast to rebound to 5.6% in 2021. This is more than the 4.6% projected in the spring. The better growth outlook is driven by the strong performance in the first quarter, which has a strong carry-over effect, and the positive picture painted by recent confidence indicators. It also adjusts the recovery path for the downward revision to 2020 GDP growth. The forecast for 2022 is similarly strong, at 5.8%, which means that Malta's economy is expected to reach pre-pandemic levels of activity around mid-2022.

The high pace of vaccinations in Malta and the improvement in the public health situation allowed for a significant relaxation of restriction measures in the second quarter of 2021. Continued strong improvement in business and consumer sentiment up until May 2021, including in the hard-hit food

[1] European Economic Forecast – Summer 2021 (European Commission Institutional Paper 156 July'21).

and accommodation services sectors, suggest that economic activity is on a path to a solid recovery. A strong uptake of government-paid consumption vouchers is also supporting a rebound in consumption. Going forward, growth is expected to remain strong on the back of a gradual recovery in the tourism sector, favourable prospects for external demand for other services, and a recovery in private and public investment, supported also by the implementation of the Recovery and Resilience Plan[2]. A limited downside risk is related to possible consequences of the decision of the Financial Action Task Force (an inter-governmental body against money laundering) to add Malta to the grey list of jurisdictions under increased monitoring.

Harmonised Index of Consumer Prices (HICP)[3] inflation has increased moderately since January, but the increase in energy and imported goods prices and a recovery in the tourism and hospitality sectors are set to increase price pressures in 2021. After picking up to 1.1% in 2021, inflation (HICP) is expected to reach 1.6% in 2022.

9.2 HOSPITALITY[4]

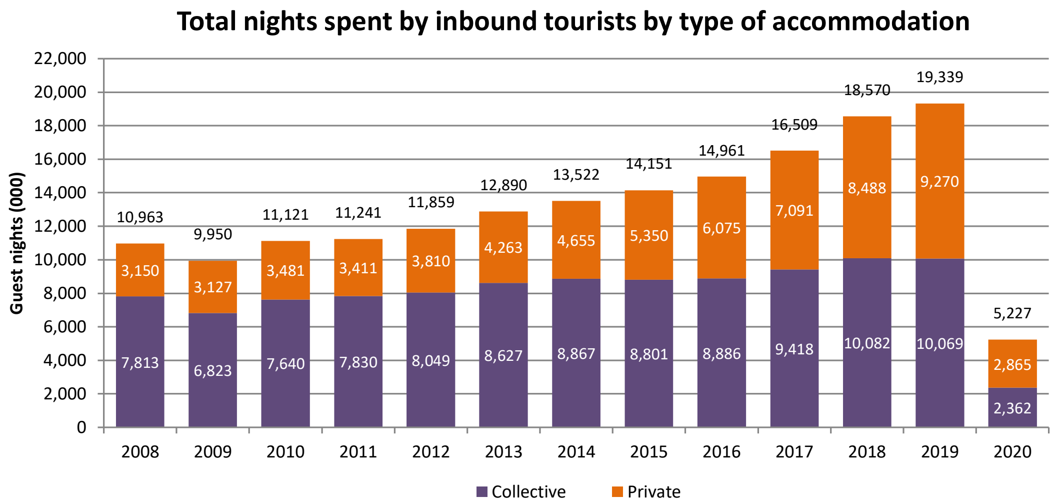
2020 was clearly a very challenging year with COVID-19 heavily impacting demand across the tourism sector. 2021 began with many of these challenges still in place and although international travel re-commenced in July 2021, gradual progress towards recovery for the travel industry remains highly dependent on global vaccine rollouts, lifting of restrictions and an acceleration in economic activity.

As shown in the chart below, total nights spent by inbound tourists decreased by 73% from 19.3 million nights in 2019 to 5.2 million nights in 2020. Guest nights at collective accommodation made up 55% of the aggregate (2019: 52%), while rented accommodation (other than collective accommodation) held a 45% share (2019: 48%). In 2020, inbound tourist trips totalled 0.7 million compared to 2.8 million in the prior year (-76.1% y-o-y).

[2] The Recovery and Resilience Facility will make €672.5 billion in loans and grants available to support reforms and investments undertaken by Member States. The aim is to mitigate the economic and social impact of the coronavirus pandemic and make European economies and societies more sustainable, resilient and better prepared for the challenges and opportunities of the green and digital transitions.

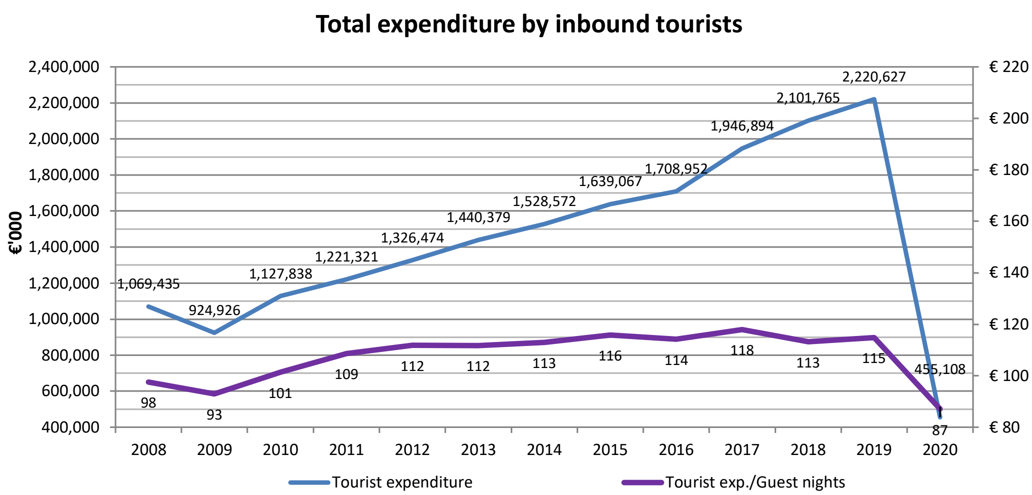
[3] The Harmonised Indices of Consumer Prices (HICP) measure the changes over time in the prices of consumer goods and services acquired by households.

[4] https://nso.gov.mt/en/News_Releases/Documents/2021/News2021_018.pdf



Source: National Statistics Office Malta

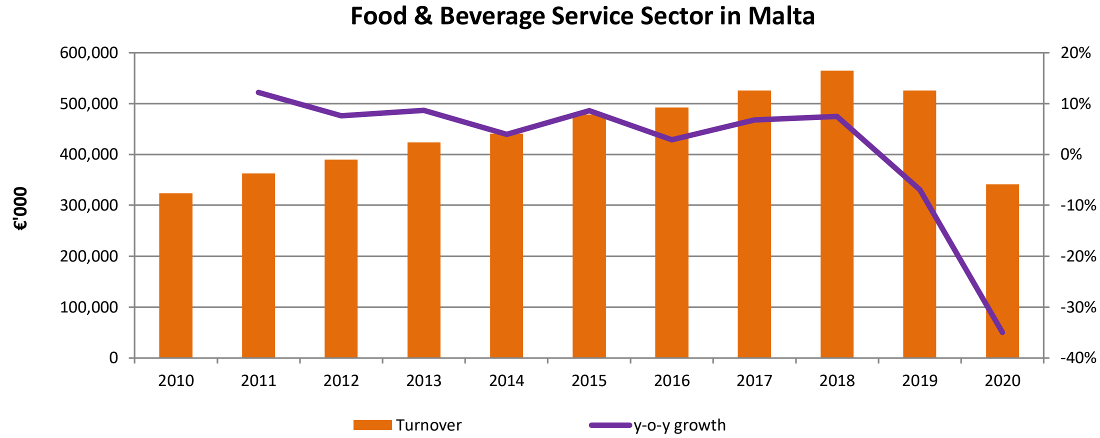
Total tourism expenditure declined sharply from €2.2 billion in 2019 to €455.1 million (-79.5% y-o-y), while tourist expenditure per guest night decreased from €115 in 2019 to €87 in 2020 (*vide* chart hereunder).



Source: National Statistics Office Malta

9.3 FOOD & BEVERAGE SERVICE SECTOR

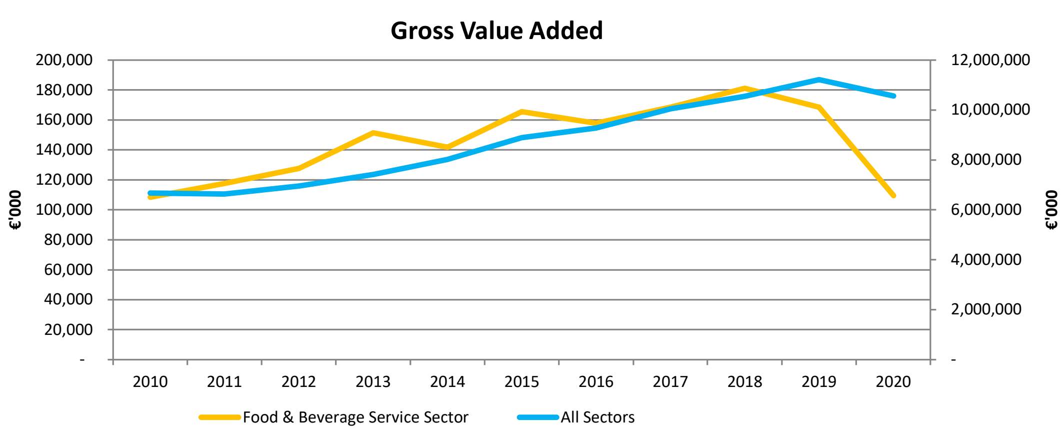
The food & beverage service sector comprises restaurants & mobile food service activities and beverage serving activities. In 2020, total income from this sector in Malta amounted to €341.4 million, a decrease of 35% compared to the prior year (2019: €525.3 million).



Source: National Statistics Office Malta (NACE 56.1 & NACE 56.3 data)

As shown in the above chart, market output has progressively increased from 2010 to 2018 at a moderately stable growth rate. In 2019, market output declined by 7% to €525.3 million (2018: €564.6 million) and decreased further by 35% in 2020 to €341.4 million. The said reduction in 2020 output was largely due to the temporary closure of hotels, restaurants, bars and other food & beverage outlets imposed by the authorities to control the COVID-19 pandemic.

The chart hereunder shows the gross value added generated by the food & beverage service sector in Malta compared to the country total. During the years 2010 to 2018, the y-o-y growth registered by this sector was broadly in line with the country growth rate (all sectors). In 2019, gross value added derived from the food & beverage service sector decreased by 7% (y-o-y) compared to an increase of 6% (y-o-y) from all sectors, while the temporary closure of food & beverage outlets in 2020 resulted in a y-o-y decline in gross value added of 35% compared to a reduction of 6% from all sectors.



Source: National Statistics Office Malta (NACE 56.1 & NACE 56.3 data)

10. INVESTMENTS IN ASSOCIATED COMPANIES

10.1 HEALTHCARE AND CATERING SERVICES

Introduction

Malta Healthcare Caterers Limited (the "**MHC Group**") is a joint venture between db Group and James Caterers Limited (C 30139), and is principally engaged in the provision of healthcare and catering services to hospitals and retirement homes, together with other related services, in Malta and Gozo.

In 2017, MHC Group was awarded a 15-year concession for the construction of four new blocks and operation of an additional 504 beds at St Vincent de Paul Residence. The project was substantially completed in July 2020 at an aggregate cost of *circa* €35 million. In addition, MHC Group is providing St Vincent de Paul Residence management services including nursing, caring, housekeeping and catering for the additional beds under a 15-year contract.

Furthermore, MHC Group completed in FY2020 a €4 million fully equipped kitchen on-site and is providing catering services to the existing 1,100 beds within the residence under a 10-year catering public private partnership agreement.

Healthcare Division

The healthcare division of MHC Group comprises the following subsidiary companies:

- Healthmark Care Services Ltd – the company is engaged in the provision of health and social care services and training to the general public, hospitals and elderly retirement and nursing homes;
- Health Services Group Limited – the company is engaged in the provision of nursing services;
- Support Services Limited – the company is engaged in the provision of nursing, medical and clinical services.

At present, the healthcare division has a staff complement of *circa* 2,570 employees, including 267 professional nurses, 207 staff members providing domiciliary care for the elderly and over 2,096 trained care assistants. The key agreements include: (i) the provision of nursing and care services under the Active Ageing and Community Care Directorate; (ii) the provision of care worker services at Mater Dei Hospital and other entities within the Health Department; (iii) the provision of care worker services at St Vincent de Paul Residence and Homes for the Elderly Community Care; and (iv) the provision of home help services.

Catering Division

MHC Group initiated operations in contract catering in 2007, after being awarded the contract to supply meals to in-patients at Mater Dei Hospital, St Luke's Hospital and Sir Paul Boffa Hospital. In 2015, MHC Group ceased to supply meals to Sir Paul Boffa Hospital, but instead commenced servicing Sir Anthony Mamo Oncology Centre. This agreement shall expire on 16 November 2022.

MHC Group also provides catering and ancillary services to in-patients and staff of Gozo General Hospital (since 2013) and St Vincent de Paul Residence (since 2014). In aggregate, MHC Group serves in the region of 6,000 meals per day.

Operational Performance

The following table sets out the highlights of the company's operating performance for the years indicated therein:

Malta Healthcare Caterers Limited	**FY2018 12-mths Actual**	**FY2020 15-mths Actual**	**FY2021 12-mths Actual**
Turnover (€'000)	56,472	90,443	78,754
Catering services	8,494	10,258	9,322
St Vincent de Paul concession agreement	6,915	23,330	18,103
Healthcare services	41,063	56,855	51,329
Profit for the year (€'000)	2,932	3,516	4,595
Net profit margin (%)	5	4	6
db Group's share of profit at 50%	**1,466**	**1,758**	**2,298**

During FY2020, Malta Healthcare Caterers Limited changed its statutory reference date from 31 December to 31 March to align its financial reporting period to that of SD Holdings Limited.

The table above summarises the historical financial performance of MHC Group for the years ended 31 December 2018 to 31 March 2021. In FY2018, revenue increased from €42.4 million in FY2017 to €56.5 million (+33%), mainly on account of the initial recognition of revenue in relation to the St Vincent de Paul concession agreement amounting to €6.9 million and an increase of €7.4 million (+22%) in healthcare services revenue to €41.1 million.

In view of the above-mentioned concession agreement, revenue in FY2020 increased substantially by €33.9 million, from €56.5 million in FY2018 to €90.4 million. Furthermore, following a change in accounting period, FY2020 results cover a 15-month period (rather than 12 months). Operational performance of MHC Group continued to improve in FY2021 over FY2020, but since the comparative covers a 15-month period, aggregate revenue shows a y-o-y decrease of €11.7 million (-13%) to €78.8 million.

In terms of profitability, net profit margin achieved in the reviewed period was between 4% and 6%, reflective of a highly competitive market in which MHC Group operates in. In absolute terms, profit for FY2021 amounted to €4.6 million, an increase of €1.1 million (+31%) from the prior year (FY2020: €3.5 million) despite the fact that the comparative refers to a 15-month period.

10.2 AIRLINE CATERING SERVICES

Introduction

The Group has a 30% shareholding in Sky Gourmet Malta Ltd, a company principally involved in the provision of catering and commissary services to airlines. On an annual basis, the company serves over 2 million airline meals and snacks. The other shareholders are James Caterers Limited (C 30139) with a 30% ownership, and Do & Co, an Austrian catering company which is active in segments such as airline catering, train catering and international events catering.

During the financial years ended 31 March 2019 and 31 March 2020, the company serviced Air Malta and Ryanair, and other top-end carriers, on a regular or ad hoc basis. The relevant contract agreements for Air Malta and Ryanair expire on 31 October 2022 and 1 June 2024 respectively.

Operational Performance

The following table sets out the highlights of the company's operating performance for the years indicated therein:

Sky Gourmet Malta Limited	**FY2019 Actual**	**FY2020 Actual**	**FY2021 Actual**
Turnover (€'000)	6,794	6,900	1,412
Profit/(loss) for the year (€'000)	276	454	-221
Net profit margin (%)	4	7	-16
db Group's share of results at 30%	**83**	**136**	**-66**

Source: Management information.

During FY2019, the Company launched a new business class meal concept consisting of a traditional culinary experience served in contemporary Maltese ceramics and chinaware, and the buy-on board concept was initiated to economy class passengers. Revenue for the year amounted to €6.8 million, a decrease of €0.4 million from a year earlier, while profit in FY2019 amounted to €0.3 million (FY2018: €0.6 million).

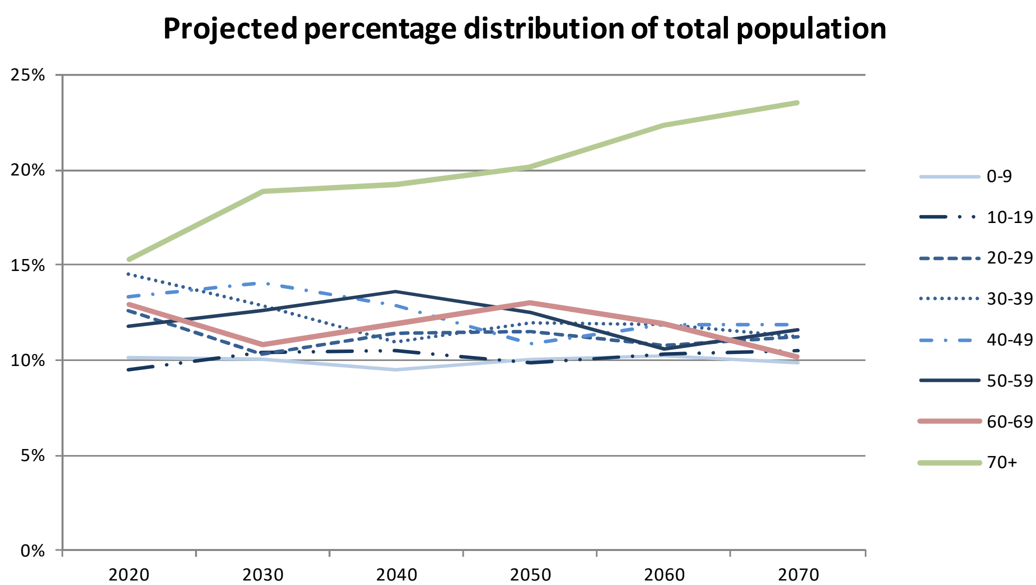
Revenue in FY2020 increased marginally by €0.1 million, from €6.8 million in FY2019 to €6.9 million, while profit improved to €0.5 million.

The financial performance of the company was adversely impacted in FY2021 as a result of the COVID-19 pandemic which caused a reduction in flights and passengers. As such, revenue for the year amounted to €1.4 million compared to €6.9 million in the prior year, while the company reported a loss of €0.2 million from a profit of €0.5 million in FY2020.

10.3 LONG-TERM CARE TREND ANALYSIS

Demand for long-term care in Malta is expected to progressively rise in the coming years as the population ages. According to projections published by the NSO[5], the percentage of the Maltese population over 60 years of age is expected to increase to 30% by 2030 (vide population distribution chart below). In absolute figures, Malta has *circa* 110,000 seniors above the age of 60 and this is expected to grow to over 135,000 by 2030. As a result of this substantial increase in elderly persons, it is envisaged that this will have a material effect on the growth in demand for care and support services provided to this category of the population.

In line with the above-mentioned statistics, MHC Group foresees a steady increase in demand for nursing, home carers and other healthcare staff in the coming years, as well as a growing need for retirement and long-term care homes. As such, MHC Group plans to continue to focus on this sector and progressively increase its offerings, particularly, by growing the staff complement to meet the demand for long-term care in Malta.



Source: Demographic Review 2014, National Statistics Office, Malta

10.4 CONTRACT CATERING TREND ANALYSIS

The demand for contract catering in Malta has developed substantially over the last ten years, particularly from the healthcare, aviation and canteen catering sectors. In the healthcare sector, demand for such service is mainly generated from state and privately-owned hospitals as well as from retirement homes. The Directors expect this market to grow further in the coming years as more hospitals and care homes are developed to meet the needs of Malta's ageing population. As such, MHC

[5] https://nso.gov.mt/en/publicatons/Publications_by_Unit/Documents/C5_Population%20and%20Migration%20Statistics/Demographic_Review_2014.pdf

Group intends to remain focused on optimising the contract catering business with a customer centric approach, while continuing to explore appropriate opportunities to profitably grow market share.

As for demand from the aviation industry, the pandemic will undoubtedly have an adverse impact on inflight catering service given the closure of airports between March and June 2020, and the sharp reduction of flights and seat capacity anticipated for the remaining part of the financial year.

Apart from COVID-19 related issues, the inflight catering service business was already decreasing due to airlines reducing their costs on ancillary services such as inflight meals. In this regard, the Group, through its 30% shareholding in Sky Gourmet Malta Ltd, will continue to focus on achieving operating efficiencies so as to safeguard profitability and future viability of this business.

10.5 OTHER INVESTMENTS IN ASSOCIATED COMPANIES

The Group owns 33.3% of Porto Azzurro Limited, a company that owns, manages and operates a three star 125-room aparthotel located in Xemxija, Malta. The rooms and apartments are equipped with en-suite bathrooms, a fully equipped kitchenette and other amenities. The hotel has a 24-hour reception, a launderette, mini market, dedicated restaurant and a pizzeria, as well as a number of leisure facilities. During the year ended 31 March 2021, the property was practically closed due to Covid-19. As such, the company's revenue for the said year amounted to €0.2 million compared to €1.3 million in FY2020 and incurred a gross operating loss of €59,914 (FY2020: gross operating profit of €0.4 million).

PART 3 – PERFORMANCE REVIEW

11. FINANCIAL INFORMATION RELATING TO SD FINANCE PLC

The Issuer was registered and incorporated on 20 January 2017 as a special purpose vehicle to act as the financing arm of db Group. The financial information relating to the years ended 31 March 2019 to 31 March 2021 has been extracted from the audited financial statements of SD Finance p.l.c. The forecast financial information for the year ending 31 March 2022 has been provided by management.

The projected financial statements relate to events in the future and are based on assumptions which the Issuer believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

SD Finance p.l.c. Income Statement for the year ended 31 March	2019 Actual €'000	2020 Actual €'000	2021 Actual €'000	2022 Forecast €'000
Finance income	2,999	3,001	3,006	3,009
Finance costs	(2,907)	(2,910)	(2,914)	(2,917)
Administrative expenses	(75)	(83)	(85)	(85)
Profit before tax	**17**	**8**	**7**	**7**
Taxation	(5)	(3)	(2)	(2)
Profit for the year	**12**	**5**	**5**	**5**

SD Finance p.l.c. Balance Sheet as at 31 March	2019 Actual €'000	2020 Actual €'000	2021 Actual €'000	2022 Forecast €'000
ASSETS				
Non-current				
Loans receivable from parent company & other related subsidiaries	62,233	62,233	62,233	64,333
	62,233	62,233	62,233	64,333
Current				
Trade and other receivables	219	2,803	2,820	764
Cash and cash equivalents	4,711	2,200	2,293	2,341
	4,930	5,003	5,113	3,105
Total assets	**67,163**	**67,236**	**67,346**	**67,438**
EQUITY				
Capital and reserves				
Called up share capital	250	250	250	250
Retained earnings	20	25	30	35
	270	**275**	**280**	**285**
LIABILITIES				
Non-current				
Bonds in issue	64,232	64,315	64,401	64,491
	64,232	64,315	64,401	64,491
Current				
Trade and other payables	2,661	2,646	2,665	2,662
	2,661	2,646	2,665	2,662
	66,893	**66,961**	**67,066**	**67,153**
Total equity and liabilities	**67,163**	**67,236**	**67,346**	**67,438**

SD Finance p.l.c. Cash Flow Statement for the year ended 31 March	2019 Actual €'000	2020 Actual €'000	2021 Actual €'000	2022 Forecast €'000
Net cash from operating activities	(117)	(2,511)	93	48
Net cash from investing activities	-	-	-	-
Net cash from financing activities	-	-	-	-
Net movement in cash and cash equivalents	**(117)**	**(2,511)**	**93**	**48**
Cash and cash equivalents at beginning of year	4,828	4,711	2,200	2,293
Cash and cash equivalents at end of year	**4,711**	**2,200**	**2,293**	**2,341**

The Issuer is a fully owned subsidiary of SD Holdings Limited, the parent company of db Group, and is principally engaged to act as a finance company. During FY2018, the Issuer on-lent the majority of net proceeds of the €65 million Bond Issue to db Group companies. As a result, finance income in the income statement principally represents interest receivable from loans advanced to Group companies and finance costs comprise interest payable to bondholders.

In FY2021, the Issuer generated finance income of €3.0 million and incurred finance costs of €2.9 million, both of which were unchanged from the prior year (FY2020). Profit after tax was also unchanged at €5,000 (FY2020: €5,000).

No material movements in the income statement and, or balance sheet have been projected for FY2022.

12. FINANCIAL INFORMATION RELATING TO SD HOLDINGS LIMITED

The financial information provided hereunder is extracted from the audited consolidated financial statements of SD Holdings Limited for each of the years ended 31 March 2019 to 31 March 2021. The forecast financial information for the year ending 31 March 2022 has been provided by management.

The projected financial statements relate to events in the future and are based on assumptions which the Guarantor believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

By March 2020, the world was suffering from a widespread COVID-19 pandemic, resulting in disruptions to businesses worldwide. Several restrictions, both at a global and local level, which resulted in the forced closure of hotels, catering establishments and other places of entertainment, invariably had a negative impact on the Group, as it predominantly operates in the hospitality and leisure industry. The Maltese Government responded with monetary and fiscal interventions to assist companies to overcome these unprecedented financial difficulties.

As a result of the pandemic and restrictions imposed by the Health Authorities, the hotels with catering establishments operated by the Group experienced a complete shutdown to its operations with effect from the third week of March 2020. The gradual re-opening of catering establishments occurred in May 2020, followed by hotels, and the airport re-opened for commercial flights on 1 July 2020.

In consequence, the Group took significant cost-cutting measures to reduce its cost base. All non-essential service contracts and retainers were either terminated or suspended, others were re-negotiated, all its staff put on a reduced working week and all in-house plant and machinery put on shutdown mode. The Group has also been in receipt of various COVID-19 business assistance programmes issued by the Government, with the aim to mitigate against the adverse financial impact of this pandemic, and to safeguard its future wellbeing and that of its employees and other stakeholders.

Following the opening of international travel in July 2021, the Group reinstated all business operations within the restrictions and guidelines issued by the Health Authorities. Accordingly, the Group is forecasting a moderate improvement in accommodation bookings in the months ahead and is projecting a return to profitability by the end of 31 March 2022 (FY2022).

Results from the Group's catering establishments have been more upbeat and encouraging. The situation is expected to improve with the advent of more incoming tourists and the gradual easing of health-related restrictions. The Group expects to open additional Starbucks units thus bringing the total in operation to eight outlets by the end of FY2022. A further two restaurants are also due to open during the course of the present financial year.

Conversely to the impact on the hospitality and catering operations, the pandemic had the opposite effect on the health care arm of the Group. An upswing in demand for the services offered by the Group within this sector was experienced which mitigated to some extent the negative effects experienced within the hospitality and leisure arm of the Group's business model. Moreover, the gradual opening in July 2020 of the 504-bed new wing at St Vincent de Paul Residence, which is being operated by an associated company of the Group, is serving to cushion the negative impact experienced in other sectors within the Group.

SD Holdings Limited Consolidated Income Statement for the year ended 31 March	2019 Actual €'000	2020 Actual €'000	2021 Actual €'000	2022 Forecast €'000
Revenue	56,133	59,324	17,251	35,996
Net operating costs	(31,289)	(33,670)	(13,810)	(24,263)
EBITDA	**24,844**	**25,654**	**3,441**	**11,733**
Depreciation & amortisation	(7,408)	(9,204)	(8,840)	(9,415)
Operating profit (loss)	**17,436**	**16,450**	**(5,399)**	**2,318**
Net finance costs	(2,929)	(3,742)	(3,914)	(4,012)
Share of results of associates	1,589	1,911	2,188	4,163
Profit (loss) before tax	**16,096**	**14,619**	**(7,125)**	**2,469**
Taxation	(5,403)	(2,439)	5,017	(667)
Profit (loss) for the year	**10,693**	**12,180**	**(2,108)**	**1,802**
Other comprehensive income				
Fair value movements on land & buildings, net of tax	59,120	(7,150)	-	-
Cash flow hedges, net of tax	-	-	-	-
Total comprehensive income (expense), net of tax	**69,813**	**5,030**	**(2,108)**	**1,802**

Key Accounting Ratios	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Forecast
Operating profit margin *(EBITDA/revenue)*	44%	43%	20%	33%
Interest cover (times) *(EBITDA/net finance cost)*	8.48	6.86	0.88	2.92
Net profit margin *(Profit after tax/revenue)*	19%	21%	-12%	5%
Earnings per share (€) *(Profit after tax/number of shares)*	2.67	3.05	-0.53	0.45
Return on equity *(Profit after tax/shareholders' equity)*	8%	9%	-2%	1%
Return on capital employed *(EBITDA/total assets less current liabilities)*	9%	9%	1%	4%
Return on assets *(Profit after tax/total assets)*	3%	4%	-1%	1%

Source: MZ Investment Services Ltd

In **FY2019**, db Group's revenue increased by €5.8 million (+11.7%) from €50.3 million in FY2018 to €56.1 million. Db Group registered an increase in revenue across all its business activities, particularly the Seabank Resort (+€2.0 million, y-o-y), San Antonio Hotel (+€1.6 million, y-o-y) and Adeera Complex (+€1.9 million, y-o-y). The main growth driver within hospitality was the improvement in yield on hotel accommodation, while in the leisure segment, the three restaurants at Adeera Complex (namely Amami, Westreme and Blu Beach lido) together with the property's other offerings continued to gain in popularity.

This positive performance led to an increase of €4.1 million (+20.0%) in EBITDA which amounted to €24.8 million in FY2019 (FY2018: €20.7 million). Further analysis shows that EBITDA generated by Seabank Hotel decreased y-o-y by €1.8 million to €10.3 million. In contrast, San Antonio Hotel reported an increase of 60.1% from €7.7 million in FY2018 to €12.4 million, while EBITDA from Hard Rock Café and Adeera Complex increased from €0.6 million and €0.4 million respectively in FY2018 to €1.1 million (+66%) and €1.2 million (+248%) respectively.

Net finance costs were lower y-o-y by €0.6 million which was offset by an increase in depreciation amounting to €0.7 million. Share of results of associates increased from €0.9 million in FY2018 to €1.6 million, mainly on account of positive performance from Malta Healthcare Caterers Limited. During FY2019, db Group revalued the Seabank Hotel and San Antonio Hotel by an aggregate amount of €59.1 million (net of deferred tax). As a consequence, db Group reported a considerable y-o-y increase in total comprehensive income from €7.6 million in FY2018 to €69.8 million.

In **FY2020**, revenue increased by 6% from €56.1 million in FY2019 to €59.3 million principally on account of higher revenue generated at Adeera Complex & Nine Lives and first-year's income derived from Starbucks. EBITDA increased by €0.8 million from the prior year to €25.7 million pursuant to the growth in revenue as to €0.3 million and the remaining €0.5 million resulted from a favourably impact on the adoption of IFRS 16 'leases'. Results from the hospitality sector was broadly stable compared to FY2019, and thus considered positive in view of the adverse effect of the COVID-19 pandemic during the course of the last month of reporting and the one-off bad debt write off following the bankruptcy of Thomas Cook in the UK, which together impacted the overall results by *circa* €1.3 million in EBITDA.

Notwithstanding the increase in EBITDA, the Group reported a decline in profit before tax of €1.5 million or -9% to €14.6 million (FY2019: €16.1 million) mainly due to an increase of €2.6 million in depreciation & amortisation and net finance costs. An amount of €0.7 million of aforesaid increase was brought about following the adoption of the requirements of IFRS 16. Share of results of associates increased in FY2020 by €0.3 million to €1.9 million.

During the year, the Group reversed €11.0 million of revaluation surplus on land and buildings (net of deferred tax amounted to €7.15 million). Overall, total comprehensive income for the year amounted to €5.0 million compared to €69.8 million in FY2019.

Revenue in **FY2021** decreased substantially by €42.0 million (y-o-y) to €17.3 million on account of the complete shutdown of the Group's operations in March 2020 and the significant curtailment of operations following the gradual re-opening in June 2020, which lower level of business activities continued for the remainder of the financial year. As a result, EBITDA was adversely impacted by €22.2 million (€3.4 million compared to €25.7 million in FY2020).

Below EBITDA, the Group reported no material changes to depreciation & amortisation (€8.8 million compared to €9.2 million in FY2020), net finance costs (€3.9 million compared to €3.7 million in FY2020) and share of associates' results (€2.2 million compared to €1.9 million in FY2020).

After accounting for a tax credit of €5.0 million, the loss for the year amounted to €2.1 million (FY2020: profit of €12.2 million).

Key accounting ratios – Due to the significant reduction in business activities during FY2021, the operating profit margin decreased from 43% in FY2020 to 20%, and interest cover was at 0.88 times compared to 6.86 times in FY2020.

The estimates for the forward year as presented in this document assume that the carrying values of hotel properties will remain constant in FY2022, and therefore no adjustment has been made as to possible impairment or uplift of assets that may be booked and which may materially affect the consolidated income statement and balance sheet values.

Revenue in FY2022 is expected to increase substantially from the prior year to €36.0 million (FY2021: €17.3 million), primarily on account of a gradual recovery in hospitality and a positive performance from the operations of Adeera Complex, Nine Lives Beach Club and AKI. Consequently, EBITDA is projected to increase from €3.4 million in FY2021 to €11.7 million, which is encouraging though still 54% below FY2020's reported EBITDA (pre-COVID 19 level).

No material y-o-y changes are being projected for depreciation & amortisation and net finance costs.

As for share of results of associates, the Group is projecting a significant increase of 90% y-o-y to €4.2 million (FY2021: €2.2 million) primarily on account of expected higher earnings generated by the MHC Group.

Overall, the Group is expected to register a net profit for FY2022 of €1.8 million compared to a net loss in FY2021 of €2.1 million.

SD Holdings Limited Consolidated Balance Sheet as at 31 March	2019 Actual €'000	2020 Actual €'000	2021 Actual €'000	2022 Forecast €'000
ASSETS				
Non-current assets				
Property, plant and equipment	205,207	193,548	187,210	183,674
Investment property	71,554	74,898	78,050	80,050
Intangible assets	288	909	890	890
Investments in associates	7,757	9,368	11,556	11,556
Right-of-use assets	-	6,151	6,208	12,508
Deferred tax assets	1,363	1,392	3,986	3,286
Trade and other receivables	75	101	210	150
	286,244	286,367	288,110	292,114
Current assets				
Inventories	1,220	1,764	1,335	1,400
Trade and other receivables	17,054	10,804	7,199	9,250
Cash and cash equivalents	11,004	25,771	31,820	34,782
	29,278	38,339	40,354	45,432
Total assets	**315,522**	**324,706**	**328,464**	**337,546**
EQUITY				
Capital and reserves				
Share capital	4,000	4,000	4,000	4,000
Reserves	94,637	87,285	87,159	87,159
Retained earnings	33,945	46,327	40,345	42,148
	132,582	**137,612**	**131,504**	**133,307**
LIABILITIES				
Non-current liabilities				
Borrowings and bonds	72,536	71,616	79,903	81,703
Lease liabilities	-	5,751	5,927	11,677
Other non-current liabilities	82,200	81,538	78,356	76,703
	154,736	158,905	164,186	170,083
Current liabilities				
Bank overdrafts	595	1,410	238	-
Borrowings	168	782	2,403	2,500
Lease liabilities	-	541	581	1,156
Other current liabilities	27,441	25,456	29,552	30,500
	28,204	28,189	32,774	34,156
	182,940	**187,094**	**196,960**	**204,239**
Total equity and liabilities	**315,522**	**324,706**	**328,464**	**337,546**

Key Accounting Ratios	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Forecast
Gearing ratio *(Net debt/Net debt and shareholders' equity)*	32%	28%	30%	32%
Gearing ratio 2 (times) *(Net debt/shareholders' equity)*	0.47	0.39	0.44	0.47
Net debt to EBITDA (years) *(Net debt/EBITDA)*	2.51	2.12	16.63	5.31
Net assets per share (€) *(Net asset value/number of shares)*	33.15	34.40	32.88	33.33
Liquidity ratio (times) *(Current assets/current liabilities)*	1.04	1.36	1.23	1.33

Source: MZ Investment Services Ltd

Total assets as at 31 March 2021 amounted to €328.5 million (FY2020: €324.4 million) and principally comprise major assets listed in section 6 above amounting to €259.1 million, investments in associates of €11.6 million and cash balances of €31.8 million. Furthermore, due to the adoption of IFRS 16, the Group recognised right-of-use assets amounting to €6.2 million.

Total liabilities in FY2021 amounted to €197.0 million (FY2020: €187.1 million) and primarily included debt securities, borrowings and lease liabilities amounting to €89.1 million (in aggregate). Other liabilities mainly comprise trade and other payables of €89.9 million, of which, €52.4 million represents amounts due to Government in relation to purchase of land.

The gearing ratio of the Group increased in FY2021 by 2 percentage points to 30%, mainly on account of an increase in borrowings due to the COVID-19 pandemic. Such ratio is expected to increase by a further 2 percentage points in FY2022 as the Group continues to open more Starbucks outlets and thereby increase its lease obligations. Moreover, the Group has leased a boutique hotel in Valletta which will also contribute to the expected material y-o-y increase in lease liabilities. Net debt to EBITDA increased significantly in FY2021, from 2.12 years in FY2020 to 16.63 times following the material decline in EBITDA in the said financial years. This ratio should slowly return to FY2020 levels as operations (and therefore EBITDA) normalise over the next 2 to 3 years.

The liquidity ratio of the Group has strengthened from 1.04 times in FY2019 to 1.36 times in FY2020 but weakened marginally to 1.23 times in the last financial year. The Group has maintained a favourable financial position to meet short term debt obligations.

Total assets in FY2022 are projected to amount to €337.5 million, an increase of €9.1 million from a year earlier. The y-o-y movements mainly emanate from an increase of €6.3 million in right-of-use assets on account of new Starbucks openings and an increase in cash balances of €3.0 million.

Similar to the above-mentioned movement in right-of-use assets, total liabilities in FY2022 are projected to increase by €6.3 million of additional lease liabilities. Total borrowings are expected to increase y-o-y by €1.7 million, whilst other non-current liabilities are forecasted to decrease by a similar amount. Overall, a y-o-y increase in total liabilities of €7.3 million has been projected for FY2022.

SD Holdings Limited **Consolidated Cash Flow Statement** **for the year ended 31 March**	**2019** **Actual** **€'000**	**2020** **Actual** **€'000**	**2021** **Actual** **€'000**	**2022** **Forecast** **€'000**
Net cash from operating activities	21,620	24,661	(5,190)	13,424
Net cash from investing activities	(19,664)	(9,519)	(3,147)	(2,000)
Net cash from financing activities	-	(1,190)	15,558	(8,224)
Net movement in cash and cash equivalents	**1,956**	**13,952**	**7,221**	**3,200**
Cash and cash equivalents at beginning of year	8,453	10,409	24,361	31,582
Cash and cash equivalents at end of year	**10,409**	**24,361**	**31,582**	**34,782**

Net cash generated from operating activities in FY2020 amounted to €24.7 million compared to net cash inflows of €21.6 million in FY2019. The positive variance mainly emanates from favourable working capital changes and a reclassification of lease payments from operating activities to financing activities. In FY2021, lower operating profits and adverse movements in working capital items resulted in net cash outflows of €5.2 million. In contrast, the Group expects to generate net cash from operating activities of €13.4 million in FY2022 on account of a recovery in operational activities.

Net cash used in investing activities amounted to €9.5 million (FY2019: €19.7 million), mainly attributable to payments to acquire property, plant & equipment and capital expenditure in relation to investment property. In FY2021, due to the decline in business activities in consequence of COVID-19, the Group temporarily stopped most capital expenditure. As such, cash used in investing activities amounted to €3.1 million, which is a third of the amount used in FY2020 for capital expenditure. No material expenditure has been forecasted for FY2022. The €2.0 million forecast mainly includes amounts due pursuant to the temporary emphyteutical concession granted by the Lands Authority to the Group in relation to the db City Centre project and development of new Starbucks outlets.

In FY2020, net cash used in financing activities amounted to €1.2 million (FY2019: nil), which included payments for lease obligations of €0.5 million and net repayment of borrowings amounting to €0.7 million. During FY2021, the Group obtained a loan of €10 million through the Malta Development Bank COVID-19 Guarantee Scheme and a further €6.5 million was advanced by associates. After factoring cash outflows relating to repayment of bank loans and lease payments, net cash from financing activities amounted to €15.6 million. For FY2022, the Group is projecting net cash outflows amounting to €8.2 million which comprise lease payment obligations and net repayment of borrowings.

In view of the Group's financial discipline during FY2021, cash balances increased by €7.2 million (y-o-y) to €31.6 million. For the forecast period, the Group expects its cash balances to further strengthen to €34.8 million.

VARIANCE ANALYSIS

The following financial information relates to the variance analysis between the forecast financial information for the year ended 31 March 2021 included in the prior year's Financial Analysis Summary dated 28 September 2020 and the audited consolidated financial statements for the year ended 31 March 2021.

SD Holdings Limited **Consolidated Income Statement** **for the year ended 31 March 2021**	**Actual** **€'000**	**Forecast** **€'000**	**Variance** **€'000**
Revenue	17,251	12,584	4,667
Net operating costs	(13,810)	(11,649)	(2,161)
EBITDA	**3,441**	**935**	**2,506**
Depreciation & amortisation	(8,840)	(8,886)	46
Operating loss	**(5,399)**	**(7,951)**	**2,552**
Net finance costs	(3,914)	(3,712)	(202)
Share of results of associates	2,188	2,218	(30)
Loss before tax	**(7,125)**	**(9,445)**	**2,320**
Taxation	5,017	1,576	3,441
Loss for the year	**(2,108)**	**(7,869)**	**5,761**
Total comprehensive expense, net of tax	**(2,108)**	**(7,869)**	**5,761**

As presented in the above table, the Group's actual revenue and EBITDA for FY2021 were higher than projected by €4.7 million and €2.5 million respectively, mainly on account of better than expected performance results from db San Antonio Hotel & Spa and Adeera Complex & 9 Lives.

The higher than expected EBITDA as well as a positive variance of €3.4 million in taxation resulted in a lower loss for the year than projected by €5.8 million (actual loss of €2.1 million vs forecast loss of €7.9 million).

SD Holdings Limited
Consolidated Balance Sheet
as at 31 March 2021

	Actual	Forecast	Variance
	€'000	**€'000**	**€'000**
ASSETS			
Non-current assets			
Property, plant and equipment	187,210	185,076	2,134
Investment property	78,050	76,898	1,152
Intangible assets	890	699	191
Investments in associates	11,556	11,586	(30)
Right-of-use assets	6,208	5,947	261
Deferred tax assets	3,986	1,423	2,563
Trade and other receivables	210	50	160
	288,110	281,679	6,431
Current assets			
Inventories	1,335	1,625	(290)
Trade and other receivables	7,199	6,122	1,077
Cash and cash equivalents	31,820	22,535	9,285
	40,354	30,282	10,072
Total assets	**328,464**	**311,961**	**16,503**
EQUITY			
Capital and reserves			
Share capital	4,000	4,000	-
Reserves	87,159	87,285	(126)
Retained earnings	40,345	38,458	1,887
	131,504	**129,743**	**1,761**
LIABILITIES			
Non-current liabilities			
Borrowings and bonds	79,903	80,960	(1,057)
Lease liabilities	5,927	5,160	767
Other non-current liabilities	78,356	72,489	5,867
	164,186	158,609	5,577
Current liabilities			
Bank overdrafts	238	-	238
Borrowings	2,403	976	1,427
Lease liabilities	581	591	(10)
Other current liabilities	29,552	22,042	7,510
	32,774	23,609	9,165
	196,960	**182,218**	**14,742**
Total equity and liabilities	**328,464**	**311,961**	**16,503**

Total assets as at 31 March 2021 amounted to €328.5 million, being €16.5 million higher than projected, which mainly resulted from higher than expected cash balances of €9.3 million. The remaining balance of €7.2 million primarily emanated from a higher than projected carrying value of property, plant & equipment and investment property (+€3.3 million), and a positive variance in deferred tax assets and trade & other receivables of €3.6 million.

The adverse variance in total liabilities amounted to €14.7 million, primarily on account of higher than expected trade & other payables (non-current and current). There was no material movement in borrowings & bonds.

SD Holdings Limited **Consolidated Cash Flow Statement** **for the year ended 31 March 2021**	**Actual** **€'000**	**Forecast** **€'000**	**Variance** **€'000**
Net cash from operating activities	(5,190)	(7,824)	2,634
Net cash from investing activities	(3,147)	(2,925)	(222)
Net cash from financing activities	15,558	8,923	6,635
Net movement in cash and cash equivalents	**7,221**	**(1,826)**	**9,047**
Cash and cash equivalents at beginning of year	24,361	24,361	-
Cash and cash equivalents at end of year	**31,582**	**22,535**	**9,047**

Net movement in cash and cash equivalents amounted to €7.2 million compared to a projected adverse balance of €1.8 million. The positive difference of €9.0 million results from better than expected cash inflows generated from operating activities amounting to €2.6 million and advances from associates of €6.5 million (in financing activities) which were not anticipated at the forecast stage.

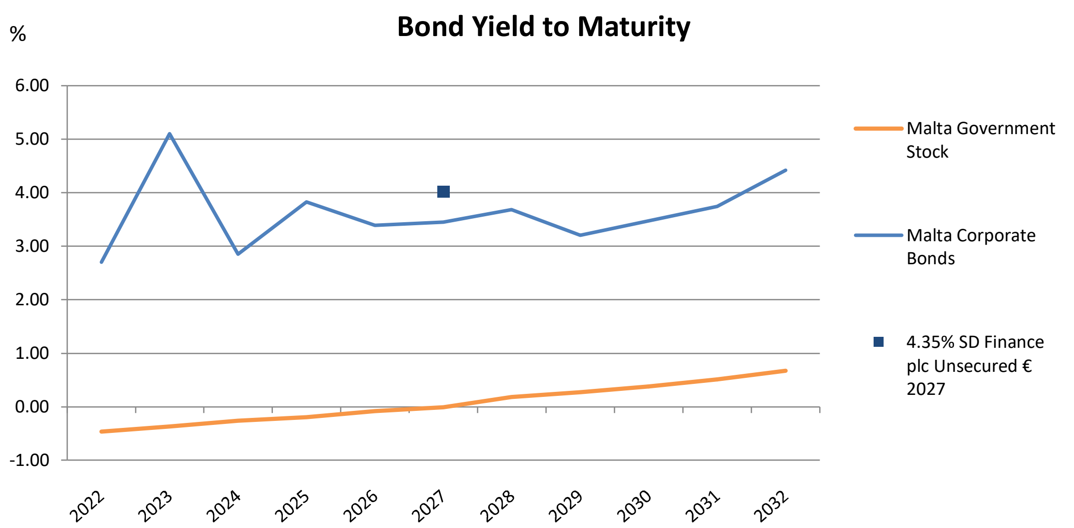
PART 4 - COMPARABLES

The table below compares db Group and its bond issue to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of db Group and other issuers (including different industries, principal markets, competition, capital requirements etc), and material differences between the risks associated with the Group's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of db Group.

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
5.80% International Hotel Investments plc 2021	20,000,000	5.57	-0.61	1,544,099	773,176	41.87
3.65% GAP Group plc Secured € 2022	29,218,400	2.70	2.24	103,895	15,134	73.44
6.00% Pendergardens Developments plc Secured € 2022 Series	21,845,300	5.90	1.79	60,578	29,491	36.39
4.25% GAP Group plc Secured € 2023	19,247,300	3.73	2.24	103,895	15,134	73.44
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	5.10	0.67	37,298	6,677	75.91
5.80% International Hotel Investments plc 2023	10,000,000	5.04	-0.61	1,544,099	773,176	41.87
6.00% AX Investments Plc € 2024	40,000,000	4.55	0.76	348,657	217,449	25.57
6.00% International Hotel Investments plc € 2024	35,000,000	4.76	-0.61	1,544,099	773,176	41.87
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	2.85	3.66	100,350	50,297	48.12
5.00% Hal Mann Vella Group plc Secured € 2024	30,000,000	3.69	2.04	122,396	47,319	52.86
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	3.59	3.09	135,492	45,574	27.66
4.25% Best Deal Properties Holding plc Secured € 2024	14,371,600	2.94	-	27,453	4,128	81.72
3.7% GAP Group plc Secured € 2023-2025 Series 1	21,000,000	3.26	2.24	103,895	15,134	73.44
5.75% International Hotel Investments plc Unsecured € 2025	45,000,000	4.83	-0.61	1,544,099	773,176	41.87
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	4.24	7.33	160,836	54,602	29.84
4.50% Hili Properties plc Unsecured € 2025	37,000,000	3.83	1.46	149,639	62,675	54.94
4.35% Hudson Malta plc Unsecured € 2026	12,000,000	3.39	3.16	43,383	5,522	81.61
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.88	-0.51	1,717,057	828,470	42.64
4.00% International Hotel Investments plc Secured € 2026	55,000,000	3.39	-0.61	1,544,099	773,176	41.87
3.75% Premier Capital plc Unsecured € 2026	65,000,000	3.11	7.39	278,759	53,003	75.22
4.00% International Hotel Investments plc Unsecured € 2026	60,000,000	3.68	-0.61	1,544,099	773,176	41.87
3.25% AX Group plc Unsec Bds 2026 Series I	15,000,000	2.94	0.76	348,657	217,449	25.57
4.35% SD Finance plc Unsecured € 2027	**65,000,000**	**4.02**	**0.88**	**328,464**	**131,504**	**30.32**
4.00% Eden Finance plc Unsecured € 2027	40,000,000	3.45	-0.50	190,466	108,369	31.32
4.00% Stivala Group Finance plc Secured € 2027	45,000,000	3.45	2.30	354,069	231,437	26.54
3.85% Hili Finance Company plc Unsecured € 2028	40,000,000	3.68	3.44	624,222	106,811	78.42
3.65% Stivala Group Finance plc Secured € 2029	15,000,000	3.20	2.30	354,069	231,437	26.54
3.80% Hili Finance Company plc Unsecured € 2029	80,000,000	3.80	3.44	624,222	106,811	78.42
3.75% AX Group plc Unsec Bds 2029 Series II	10,000,000	3.19	0.76	348,657	217,449	25.57

10-Sep-21

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, MZ Investment Services Ltd



Source: Malta Stock Exchange, Central Bank of Malta, MZ Investment Services Ltd 10 September 2021

To date, there are no corporate bonds which have a redemption date beyond 2032. The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

The 2027 bonds are presently trading at a yield of 4.02%, which is *circa* 57 basis points higher than other corporate bonds maturing in the same year. The premium over FY2027 Malta Government Stock is 403 basis points.

PART 5 - EXPLANATORY DEFINITIONS AND REFERENCES

Income Statement	
Revenue	Total revenue generated by the Group from its business activities during the financial year, including room reservations, food & beverage and other revenue streams.
Cost of sales	Direct costs include cost of food, beverages, consumables, labour expenses and all other direct expenses.
Gross profit	Gross profit is the difference between revenue and direct costs. It refers to the profit made by the Group before deducting operating costs, depreciation & amortisation, finance costs, impairment provisions, share of results from associate and affiliate companies and other operating costs.
Operating costs	Operating costs include all operating expenses other than direct costs and include general & administration expenses.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Share of results of associates	The Guarantor owns minority stakes in a number of companies (less than 50% plus one share of a company's share capital). The results of such companies are not consolidated with the subsidiaries of the db Group, but the Guarantor's share of profit is shown in the profit and loss account under the heading 'share of results of associates'.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.
Key Performance Indicators	
Occupancy level	Occupancy level is the percentage of available rooms that were sold during a given period of time. It is calculated by dividing the number of rooms sold by total number of rooms available.
Revenue per occupied room (RevPOR)	RevPOR is calculated by adding all income generated (room accommodation, food & beverage and other income) and dividing it by the number of occupied rooms. A hotel uses this indicator as a performance measure with other hotels in the same category or market to determine how well the hotel property is yielding.

Gross operating profit per available room (GOPAR)	GOPAR is the total revenue of the hotel less expenses incurred earning that revenue, divided by the available rooms. This indicator is another performance measure used in the hotel industry.
Revenue generating index (RGI)	A revenue generating index measures a hotel's fair market share of its segment's (competitive set, market, etc) revenue per occupied room. If a hotel is capturing its fair market share, the index will be 1; if capturing less than its fair market share, a hotel's index will be less than 1; and if capturing more than its fair market share, a hotel's index will be greater than 1.
Gross operating profit generating index (GOPGI)	A gross operating profit generating index measures a hotel's fair market share of its segment's (competitive set, market, etc) gross operating profit per available room. If a hotel is capturing its fair market share, the index will be 1; if capturing less than its fair market share, a hotel's index will be less than 1; and if capturing more than its fair market share, a hotel's index will be greater than 1.
Profitability Ratios	
Gross profit margin	Gross profit margin is the difference between revenue and direct costs expressed as a percentage of total revenue.
Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Efficiency Ratios	
Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.
Equity Ratios	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.

Cash Flow Statement	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities (room revenue, food & beverage, hotel services, etc) of the Group.
Cash flow from investing activities	Cash generated from activities dealing with the acquisition and disposal of long-term assets and other investments of the Group.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Group.
Balance Sheet	
Non-current assets	Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group amortises the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was acquired. Such assets include intangible assets (including goodwill on acquisition), investments in associates (Malta Healthcare Caterers Ltd, Porto Azzurro Ltd, Sky Gourmet Ltd and Sky Gourmet Malta Inflight Services Ltd), property, plant & equipment (hotel properties), and deferred tax assets.
Current assets	Current assets are all assets of the Group, which are realisable within one year from the balance sheet date. Such amounts include accounts receivable, inventory (food, beverages, consumables, etc), cash and bank balances.
Current liabilities	All liabilities payable by the Group within a period of one year from the balance sheet date, and include accounts payable and short-term debt, including current portion of bank loans.
Non-current liabilities	The Group's long-term financial obligations that are not due within the present accounting year. The Group's non-current liabilities include long-term borrowings and bonds.
Total equity	Total equity includes share capital, reserves & other equity components, retained earnings and minority interest.
Net assets per share	Is calculated by dividing the total net asset value of the company by the number of shares outstanding. Net asset value or book value represents a company's assets minus its liabilities and may be referred to as shareholders' funds or equity. The net asset value is the amount of money that shareholders would theoretically receive if a company liquidates all its assets after paying off all its liabilities (the company's net worth).

Financial Strength Ratios	
Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.
Net debt to EBITDA	The net debt to EBITDA ratio is a measurement of leverage, calculated as a company's interest bearing liabilities minus cash or cash equivalents, divided by its EBITDA. This ratio shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity. Alternatively, the gearing ratio can be calculated by dividing a company's net debt by shareholders' equity.